

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SS-20 NSC-10 L-03 H-03 SEC-03

JUSE-00 FTC-01 AID-20 CEA-02 CIAE-00 COME-00 EA-11

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TO SECSTATE WASHDC IMMEDIATE 6233

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E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: FOREIGN DIRECT INVESTMENT IN USA

REF: STATE 11634

SUMMARY: THERE HAS SO FAR BEEN LITTLE DISCUSSION IN FRANCE ON POSSIBLE ACTIONS AFFECTING FREEDOM OF FDI IN THE U.S. HOWEVER, SUCH COMMENT AS THERE HAS BEEN HAS BEEN UNFAVORABLE. WE DO NOT ANTICIPATE THAT THE GOF WOULD IMMEDIATELY RETALIATE AGAINST RESTRICTIVE LEGISLATION BY IMPOSING RESTRICTIONS ON AMERICAN INVESTORS. WHAT IS MORE LIKELY IS A GRADUAL DETERIORATION OF THE INVESTMENT CLIMATE HERE. THUS, WE BELIEVE RESTRICTIVE U.S. LEGISLATION WOULD IN THE LONG RUN BE DETREMENTAL TO THE INTERESTS OF AMERICAN INVESTORS IN FRANCE. END SUMMARY.

1. THERE HAS BEEN LITTLE PUBLIC DISCUSSION OR COMMENT, AND NO EXPRESSION OF OFFICIAL VIEWS, ON THE TREATMENT ACCORDED BY THE U.S. TO FOREIGN INVESTMENT IN THE U.S. PUBLIC COMMENT, INCLUDING PRESS COMMENTARY AND STATEMENTS OF THE VIEWS OF FRENCH BANKERS AND BUSINESSMEN, HAS FOCUSED IN RECENT MONTHS ON
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TWO MAIN DEVELOPMENTS WHICH WERE VEIUED AS INDICATING A

POSSIBLE CHANGE IN U.S. POLICIES ON FDI: ACTIONS AFFECTING THE ESTABLISHMENT OF FOREIGN BANKS IN THE U.S. AND THE DENT-GAYDOS BILL.

2. IN THE FORMER AREA EFFORTS BY STATE AUTHORITIES IN NEW YORK AND CALIFORNIA TO PREVENT ACQUISITION BY EUROPEAN BANKS OF A CONTROLLING INTEREST IN AMERICAN BANKS HAVE ATTRACTED A CERTAIN AMOUNT OF UNFAVORABLE COMMENT. IN A SOMEWHAT DIFFERENT CASE THE FAILURE OF THE SAN DIEGO UNION BANK ALSO LED TO UNFAVORABLE PUBLICITY WHEN IT APPEARED FOR A TIME THAT FOREIGN CLAIMANTS, INCLUDING SEVERAL IMPORTANT EUROPEAN BANKS, WOULD BE TREATED LESS FAVORABLY THAN AMERICAN CLAIMANTS.

3. THE INTRODUCTION OF THE DENT BILL INTO THE CONGRESS LAST JULY LED TO A STRONGLY UNFAVORABLE ARTICLE IN THE INFLUENTIAL NEWSPAPER "LE MONDE." THE ARTICLE RECALLED THE GENERALLY FAVORABLE CLIMATE WHICH HAS EXISTED FOR AMERICAN INVESTMENT IN EUROPE (EVEN IN RECENT YEARS IN FRANCE) AND, WITHOUT ACTUALLY CALLING FOR RETALIATION SHOULD THE DENT BILL BE ADOPTED, OBSERVED THAT IF EUROPEAN FIRMS FOUND THEIR ABILITY TO OPERATE IN THE UNITED STATES RESTRICTED, " THIS WOULD SEEM LIKE A VERY UNFAIR RETURN OF THE FAVOR."

4. WITH THE EXCEPTION OF ANTI-TRUST LAWS, OUR PRESENT POLICIES REGARDING FDI'S IN THE U.S. HAVE NOT PROVOKED ANY UNFAVORABLE REACTION IN FRANCE. THE FRENCH FREQUENTLY CITE U.S. ANTI-TRUST LEGISLATION AS A POTENTIAL DETERRENT TO FDI IN THE U.S. HOWEVER, IN THE COURSE OF CARRYING OUT OUR PROGRAM FOR PROMOTING REVERSE INVESTMENT. WE HAVE BEEN SUCCESSFUL IN PERSUADING POTENTIAL INVESTORS THAT THIS IS NOT A SERIOUS OBSTACLE.

5. IN CONSIDERING HOW FRANCE WOULD REACT TO RESTRICTIVE U.S. LEGISLATION, IT SHOULD BE BORNE IN MIND THAT THE PRESENT SITUATION IN FRANCE REGARDING AMERICAN DIRECT INVESTMENT IS AND HAS FOR SOME YEARS BEEN QUITE FAVORABLE. THIS FAVORABLE TREATMENT REFLECTS A VIEW BY THE FRENCH AUTHORITIES, IN WHICH THE BUSINESS COMMUNITY GENERALLY CONCURS, THAT U.S. DIRECT INVESTMENT IS ON THE WHOLE A GOOD THING FOR FRANCE, AND THIS VIEW HAS BEEN REFLECTED IN THE RELATIVE ABSENCE OF PRESS CRITICISM OF U.S. INVESTMENT. CONSEQUENTLY, WE DO NOT ANTICIPATE THAT THE GOF LIMITED OFFICIAL USE

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WOULD IMMEDIATELY RETALIATE BY IMPOSING RESTRICTIONS ON AMERICAN INVESTORS. WHAT IS MORE LIKELY IS THAT PRESS CRITICISM WOULD RESUME, PROBABLY ENCOURAGED BY FRENCH BUSINESS, WHICH HAS SHOWN AN ACTIVE AND RAPIDLY GROWING INTEREST IN DIRECT INVESTMENT IN THE U.S. IN RECENT MONTHS. THIS WOULD PROBABLY LEAD TO INCREASING DEMANDS IN FRANCE FOR THE ADOPTION BY THE GOF OF A MORE RESTRICTIVE ATTITUDE TOWARD AMERICAN INVESTMENT WHICH THE GOVERNMENT MIGHT FIND IT

DIFFICULT TO RESIST. THIS WOULD BE PARTICULARLY TRUE IN THE
CONTEXT OF AN ELECTION CAMPAIGN (THE NEXT NATIONAL ELECTION IS
THE PRESIDENTIAL ELECTION OF 1976), FOR THE LEFT OPPOSITION COULD
BE EXPECTED TO SEIZE ON THIS AS AN ISSUE WITH WHICH T
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